

**MINUTES of the  
DELAWARE ECONOMIC & FINANCIAL ADVISORY COUNCIL**

**Buena Vista – May 15, 2017**

**Attendance:**

<b>Member</b>	<b>Present</b>
N. Batta	Yes
C. Bo	Yes
J. Bullock	Yes
L. Davis Burnham	Yes
R. Byrd	Yes
C. Cade	Yes
J. Casey	No
J. Cohan	No
N. Cook	Yes
F. Dixon	Yes
B. Fasy	Yes
R. Geisenberger	Yes
R. Glen	Yes
G. Hindes	Yes
J. Horthy	Yes
M. Houghton	Yes

<b>Member</b>	<b>Present</b>
M. Jackson	Yes
J. J. Johnson	Yes
K. Lewis	Yes
A. Lubin	Yes
G. Marcozzi	Yes
I. McConnel	Yes
C. Morgan	Yes
M. Morton	Yes
J. Polidori	No
E. Ratledge	Yes
T. Shopa	Yes
D. Short	Yes
K. Simpler	Yes
G. Simpson	Yes
D. Swayze	Yes

**Members in Attendance: 28**

**Members Absent: 3**

**Others Present:** A. Aka, J. Cole, R. Goldsmith, D. Gregor, D. Haw-Young, E. Innes, A. Jenkins, J. Johnstone, K. Knight, S. McVay, R. Morris, B. Motyl, J. Myran, J. Nauman, B. Osborne, E. Park, A. Penney, S. Steward and members of the press.

**Opening Business:** Mr. Houghton called the meeting to order at 1:31 p.m.

The minutes from the April meeting were approved as submitted.

**Expenditure Forecasts:**

Mr. Ratledge and Mr. Jackson presented the General Fund Expenditure forecasts.

Mr. Ratledge indicated that total FY 2017 appropriation stands at \$4,324.3 million, and is comprised of a Budget Act of \$4,084.1 million, Cash to the Bond bill of \$12.6 million, Grant-in-Aid of \$45.9 million, Continuing and Encumbered of \$181.5 million and Supplemental of \$0.2 million. He noted that Reversions were raised from \$31.8 million in April to \$37.0 million in May, while the Continuing estimate fell from \$161.8 million to \$149.5 million during the same period.

While reviewing the Balance Sheet and the Functional method, Mr. Jackson mentioned that Personnel Costs were up slightly and that a small adjustment has been made to the Grants estimate. He explained that the increase in the estimate for Supplies and Materials was due to tracking. Mr. Jackson also indicated that the decrease in the Continuing estimate can be traced to further deposits of ASF funds into the General Fund in order to help with the difficult fiscal situation currently facing the State.

Mr. Ratledge asked whether one should expect next year a decline in the robust (6.56%) annual average growth rate for Health Care. Mr. Jackson answered that the State Employee Benefits Committee (SEBC) has set a budget for overall Health Care cost to grow at 6.5%. He also indicated that a number of initiatives have been put into place to help control costs. Mr. Simpler added that the SEBC target is to have healthcare growth in the same neighborhood as revenue growth.

Mr. Jackson said he was comfortable with the Medicaid estimate, which is unchanged from last month. However, he pointed out that the current estimate assumed that his office would be reimbursed \$13.0 million by the Federal Government for resources related to ACA risk-corridors and existing expenditure would be recoded back to the Federal Government before the end of the fiscal year. Mr. Jackson noted that, should the assumption proves false, his office will be prompted to delay expenditures to the Managed Care Organizations, which will result in a drop of the Medicaid estimate by \$13.0 million and a corresponding increase in the Continuing figure.

Ms. Bo asked about the length of the delay. Mr. Jackson replied that the delay will be less than a week long. In response to a question from Mr. Houghton, Mr. Jackson explained that such a delay has been done in the past and that there was a 50% chance that the problem will get resolved by the end of the ongoing fiscal year.

Updating the Medicaid numbers, Mr. Jackson said that the number of individuals eligible for Medicaid stood at 230,214 in April, and that the newly eligible figure stood at 12,004.

Mr. Simpler noted that there were other pockets of health expenditure faced by the State beyond Medicaid and Health Care. Mr. Jackson mentioned Medicaid, the employee Health program and the Correctional Health Care services as the categories for health

expenditure. Mr. Jackson agreed with Mr. Fasy that health care growth estimates presented in Table 1b can be used as proxies for the growth of the State's self-insured plan.

Mr. Short singled out membership and enrollment increases as important cost drivers for health care. He pointed out that there are 135,000 individuals who are members of the State's plan and 233,000 individuals enrolled in Medicaid. Mr. Simpler noted that cost is also driven by utilization, and added that it was important to understand how individuals are utilizing the health care system. Ms. Bo asked how capitated payments offered by payers to providers could help to steady trend and cost strategy. Mr. Ratledge said such payments are done with Medicaid primarily. (See Table 1a and Table 1b for complete details).

For informational purposes, Mr. Ratledge provided 5-year expenditure forecasts, adjusted for the April and May figures. In response to a question from Mr. Simpler, Mr. Jackson said that Mr. Ratledge's analysis is a trend analysis and that he was planning to work with Mr. Ratledge to improve the long term forecasts. Mr. Ratledge added that his 5-year forecasts are not budgetary forecasts (See Table 1c for complete details).

Mr. Ratledge also presented a series of charts which tracked the long-term revenue forecast and expenditure forecast. These charts show that the growth in expenditures is projected to rise above the growth in revenues. Mr. Ratledge presented additional charts that disaggregated expenditures by Fund type and Department.

In one chart, DHSS and the Department of Education were outliers when it came to General Fund spending. Mr. Ratledge said that DHSS spending is driven by Medicaid spending. Mr. Jackson said the number of students and the change in the composition of the student body were main drivers of educational spending. He mentioned an 8 to 1 cost differential ratio between special needs students and regularly educated students. Ms. Davis Burnham asked whether special needs students were already living in Delaware or were attracted to the State because of special factors. Mr. Jackson answered that it is a combination of both. He said that out of a typical 1,000-1,500 annual enrollment, 20% would be special needs students and 80% regularly educated students. However the ratios have flipped in the past 4 years. He also added that schools are doing a better job identifying student needs. Mr. Simpson described the recent influx of students in his district. Ms. Davis Burnham asked if there are policy decisions being discussed around the issue. Mr. Jackson said there are Federal and State laws that guide the provision of special education services. Mr. Simpson added that it was expensive for districts to fight the issue in courts. In response to a question from Mr. Houghton, Mr. Jackson said that the term "Legal" as found on one of the charts represented both the Department of Justice and the Office of Defense Services.

A motion was made, seconded and approved to accept \$4,094.6 million as the Expenditure estimate for FY 2017. The estimate represents an increase of \$7.1 million from the April estimate.

**Revenue Forecasts:**

Mr. Lewis, Mr. Glen, Mr. Gregor, Mr. Johnstone, Mr. Knight, and Mr. Simpler presented the General Fund Revenue forecasts.

**Economic Outlook**

Mr. Aka addressed questions from the previous DEFAC meeting regarding 1) part timers, 2) the underemployed, and 3) the composition of Wages and Salaries for FY 2018. His charts showed that part time employment for economic reasons has been on a declining trend over the past few years. In response to a question from Mr. Harty, Mr. Aka said the share of part timers in total employment is around 20%. With regard to the underemployed, U3 (official) and U6 (broadest) unemployment figures were provided. Based on these figures Mr. Aka said that Delaware is 8 to 11 months away from full employment. Mr. Harty asked about the growth rate assumptions used in the calculation. Mr. Aka replied 1% for labor growth and 1.5-2% for economic growth. Finally Mr. Aka said that the composition of Wages and Salaries for FY 2018 is unknown since the data used in the Department of Finance (DOF) model is sourced from the BEA. He explained that he had previously mentioned in the April DEFAC that the data was from the Delaware Department of Labor, which was an error and prompted the request.

Mr. Aka presented economic forecasts for the U.S. (produced by IHS) and Delaware (developed by the Department of Finance). He mentioned that first quarter US GDP growth rate came in at 0.7%, which is not surprising given residual seasonality in both the first quarter (Q1) and the second quarter (Q2). Such seasonality tends to subtract 0.8% of growth in Q1 but add 0.6% to growth in Q2. Mr. Aka explained that the decline in U.S. employment growth forecast is solely due to a change in methodology by IHS. Delaware's FY 2017 forecasts are all unchanged, while the outlook mirrored the nation.

Mr. Ratledge mentioned that the IHS productivity forecast does not make sense in light of the history. Mr. Aka agreed. In response to a question from Mr. Simpler, Mr. Aka said that the Wages and Salaries figures are not adjusted for inflation. Mr. Dixon described the optimistic out year forecasts provided by IHS, despite the rapidly changing demographics and low productivity growth. He suggested adding to the presentation slides some specific assumptions used by IHS regarding fiscal policies (e.g., specific assumptions on tax policies and deficits). Mr. Ratledge said that some economists believe that a tax cut, which boosts business investment, could lead to a 2.0% productivity growth. Mr. Simpler suggested that the economic presentation be made available to DEFAC members prior to the meeting.

**General Fund Revenues - Fiscal Year 2017:**

The Revenue Subcommittee recommended the following updates to April's estimates:

Revenue Category	Apr-17	May-17	Change
Other Revenues	115.1	123.4	8.3
Franchise Tax	707.1	712.6	5.5
Limited Partnerships & LLC's	282.7	277.2	(5.5)
Personal Income Tax	1,543.5	1,538.4	(5.1)
PIT Refunds	(204.0)	(208.0)	(4.0)
Other Refunds	(24.7)	(20.9)	3.8
Lottery	206.0	203.0	(3.0)
Gross Receipts Tax	239.0	241.0	2.0
Insurance Taxes	49.9	51.4	1.5
Dividends and Interest	4.9	3.5	(1.4)

For a complete listing of FY 2017 estimates, see Table 2.

### Discussion of FY 2017 Estimates:

**PIT Less Refunds:** Mr. Johnstone noted a decrease in the estimate by \$9.1 million. He attributed the \$5.0 million rise in Withholding to stock option payments, and mentioned the high tracking due to a 27th pay in June of FY 2016. Mr. Johnstone said that FYTD through May 11, Withholding was up 5.1% and that similar growth can be seen at the Federal level (5.4% in January-April) and in other States (6% to 7%). He mentioned that Final payments were reduced by \$9.5 million, and that the one-year tracking would suggest more downside because of the timing of the Easter holiday. He added that most States reported that their final and estimated payments were down slightly year-over-year, and that the Federal estimated and final payments were down 4.4% since January. Mr. Johnstone said the Refunds estimate was raised by \$4.0 million. He added that although refunds have been strong in May, processing times have also been faster this year. Federally, refunds are up 3.6% year-over-year.

Mr. Geisenberger added that, per IRS request, a large amount of Social Security numbers have been scrutinized by the Department of Finance (DOF), which explains why some refunds have taken longer this year before being sent to the taxpayers.

**Net Franchise + LP/LLC:** Although the overall estimate is unchanged from April, Mr. Knight recommended an increase in the Franchise Tax estimate by \$5.5 million (driven by smaller filers) and a corresponding decrease in LP/LLC estimate. Mr. Knight indicated that with respect to LP/LLC a new system was put in place last year, and that bills were sent last year a week later than usual.



**Gross Corporate Income Tax (CIT):** Mr. Johnstone noted no change from the April estimate. He added that the direction of changes in CIT will depend on the strength of tentative payments for the Delaware Competes Act, and that there was no change in the status of a Federal RAR.

Mr. Geisenberger noted the downside risks facing CIT and PIT this year due to Federal fiscal policy. Responding to Mr. Harty, Mr. Johnstone said that the personal income tax was growing robustly, while the corporate income tax remains volatile; corporation could be running profits but pay no taxes because of operating losses.

**Bank Franchise Tax:** The Bank Franchise Tax estimate is unchanged from April. Mr. Glen proposed a reduction in the Refund estimate by \$3.0 million.

**Gross Receipts Tax:** Mr. Johnstone reported a rise in the estimate by \$2.0 million due to strong quarterly payments from new filers and an above trend month in petroleum during April.

**Lottery:** The estimate for Lottery is reduced by \$3.0 million in FY 2017 and \$1.0 million in FY 2018. Mr. Johnstone mentioned that DOF and the industry have reconciled data differences. Mr. Fasy agreed. Mr. Johnstone said that in the future DOF will provide more precise information to the industry regarding the amount of funds that are used to pay for Lottery administration.

**Abandoned Property:** Mr. Gregor noted no change in the estimate for FY 2017.

**Hospital Board and Treatment:** The estimate was unchanged. The Stockley Medicaid Center has done some catch up in their billings.

**Dividends and Interest:** Mr. Simpler noted a decline in the estimate by \$1.4 million. He explains that a combination of interest payments on special and school bonds as well as portfolio rebalancing after the Fed's rate hike are driving the change.

**Other Revenues:** Mr. Johnstone noted an increase in the estimate by \$8.3 million, mostly due to further sweeps of Special Funds by Mr. Jackson's office. Mr. Jackson explained that his office has been working with other agencies across the State to reduce some of the expenses in their Special Fund accounts, and deposit the proceeds into the General Fund. This has led to an increase in the Other "Other" Revenue category by \$8.8 million.

Mr. Houghton asked if there will be more Special Funds deposits in May and June. Mr. Jackson replied affirmatively. He added that the ASF funds are not

estimated but represented hard numbers that do not carry over into coming fiscal years.

In response to a question from Mr. McConnel about tobacco funds, Mr. Jackson said that tobacco funds can be considered special funds but are not included in the Other "Other" Revenue group. Mr. Jackson said that the latter represented funds that are not expected to be expended by the end of the fiscal year. Answering another question from Mr. McConnel, Mr. Jackson said that his office is not yet dealing with trust funds.

Other changes were attributed to tracking.

### **FY 2017 Estimate Adopted:**

A motion was made, seconded and approved to accept \$3,946.2 million as the revenue estimate for FY 2017. The estimate represents an increase of \$2.1 million from DEFAC's April estimate.

### **General Fund Revenues - Fiscal Year 2018:**

The Revenue Subcommittee recommended the following updates to April's estimates:

Revenue Category	Apr-17	May-17	Change
Abandoned Property	535.0	554.0	19.0
Personal Income Tax	1,611.0	1,599.8	(11.2)
Franchise Tax	707.7	716.2	8.5
Dividends and Interest	9.4	5.0	(4.4)
PIT Refunds	(213.8)	(218.0)	(4.2)
Limited Partnerships & LLC's	294.9	291.9	(3.0)
Gross Receipts Tax	244.9	247.0	2.1
Lottery	204.2	203.2	(1.0)

For a complete listing of FY 2018 estimates, see Table 2.

### **Discussion of FY 2018 Estimates:**

**PIT Less Refunds:** Mr. Johnstone indicated that a drop in the estimate by \$15.4 million, as DOF's long term modeling suggested reducing the out year growth.

**Lottery:** The estimate was reduced by \$1.0 million as DOF and the industry

have reconciled differences in their data.

**Abandoned Property:** Mr. Gregor indicated an increase in the estimate by \$19 million due to expected strength of the broker audit. He also noted a higher Refund in FY 2018. Mr. Gregor said that broker audits could be exhausted in FY 2019, leading to \$100 million drop in net Abandoned Property collections between FY 2018 and FY 2019.

Mr. Houghton noted the large amount of refunds in the out years and congratulated DOF for reuniting more taxpayers with their properties. He indicated that the revenue category is fragile and subject to ongoing litigations and growing consternation of the corporate community, which could adversely impact the FY 2018 estimate. In fact Mr. Houghton expressed skepticism that the \$19.0 million increase in Abandoned Property will hold next year. Mr. Gregor answered that the confidence interval around the estimate is very large. Mr. Bullock said he did not share Mr. Houghton's pessimism, and that a combination of audits and VDAs will help support the FY 2018-19 estimates. Mr. Houghton indicated that Abandoned Property is still a fragile revenue stream but acknowledged that the State has made some progress to strengthening it.

**Dividends and Interest:** Mr. Simpler noted a decline in the estimate by \$4.4 million to a level that is consistent with current policies.

Mr. Lewis reported that all other changes reflected the carrying forward of changes made in FY 2017 and maintaining previous growth rates.

#### **FY 2018 Estimate Adopted:**

A motion was made, seconded and approved to accept \$3,983.9 million as the revenue estimate for FY 2018. The estimate represents an increase of \$5.8 million from the March estimate.

**Balance and Appropriations Worksheet:** Mr. Johnstone presented the Balance and Appropriations worksheet. The result of this exercise is attached as Table 3.

Mr. Jackson noted that the additional appropriation limit was primarily driven by the Reversions and the additional Special Funds deposits into the General Fund.

#### **Transportation Trust Fund (TTF)**

**TTF -- Expenditures:** Mr. Motyl presented the Transportation Trust Fund's



expenditure forecast.

**State Operations Expenditure:** Decreased from \$337.4 million in April to \$336.5 million. Mr. Motyl attributed the change to bond refunding and an increase in Personnel costs.

**State Capital Expenditure:** There was no change from the April estimate of \$234.3 million.

**Federal Capital Expenditure:** Decreased from \$259.8 million in April to \$254.8 million. Mr. Motyl attributed the change to delays in various small projects.

**U.S. 301 Capital Expenditure:** There was no change from the April estimate of \$134.1 million.

A motion was made, seconded, and approved to accept \$959.7 million as the FY 2017 TTF expenditure estimate. The estimate represents a decrease of \$5.9 million from the April estimate. (See Table 4.)

**TTF -- Revenues:** Mr. Motyl presented the Transportation Trust Fund's revenue forecast.

The following changes were made from the April estimates.

**FY 2017 Estimates:**

**Toll Road Revenues:** There was no change from the April estimate of \$194.9 million.

**Motor Fuel Tax Administration:** There was no change from the April estimate of \$126.5 million.

**Division of Motor Vehicles:** There was no change from the April estimate of \$212.0 million.

**Other Transportation Revenues:** There was no change from the April estimate of \$14.2 million.

A motion was made, seconded, and approved to accept \$547.6 million as the FY 2017 TTF revenue estimate. The estimate was unchanged from the April estimate.

**FY 2018 Estimates:**

The following changes were made from the April estimates.

**Toll Road Revenues:** There was no change from the April estimate of \$198.6 million.

**Motor Fuel Tax Administration:** There was no change from the April estimate of \$125.5 million.

**Division of Motor Vehicles:** There was no change from the April estimate of \$216.6 million.

**Other Transportation Revenues:** There was no change from the April estimate of \$14.3 million.

A motion was made, seconded, and approved to accept \$555.0 million as the FY 2018 TTF revenue estimate. The estimate was unchanged from the April estimate. (See Table 5.)

**Other Business:**

Mr. Geisenberger introduced Mr. Cerron Cade – the acting Director of Delaware Economic Development Office (DEDO) – as a new DEFAC member.

Mr. McConnel asked Mr. Houghton about his plan of attack regarding Mr. Simpler's memorandum. Mr. Houghton said he would like to put together formal and informal ways to collect DEFAC members' views over the summer, with the goal of coming up with suggestions before the September meeting.

The next scheduled DEFAC meeting date is:

- June 19, 2017

There being no further business, Mr. Houghton adjourned the meeting at 3:02 p.m.

Respectfully submitted,

Arsene Aka

Table 1a.

DEFAC Expenditures Forecast for General Fund Disbursements FY2017 (\$ in millions)													
May 2017 (as of 04/30/17) DRAFT													
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016						FY2017
	Actual	Actual	Actual	Actual	Actual	Actual	Actual						Appropriation
Budget Act	3,091.5	3,305.3	3,508.6	3,586.8	3,718.2	3,809.5	3,908.5						4,084.1
Cash to Bond Bill	0.0	91.0	115.3	53.4	60.9	23.8	0.0						12.6
Grant-in-Aid	35.4	35.2	41.2	44.2	44.8	45.4	43.0						45.9
Continuing & Encumbered (from prior years)	183.7	184.9	303.7	301.1	276.4	194.8	201.3						181.5
Supplementals	0.0	0.0	0.0	0.0	0.0	0.0	0.0						0.2
<b>Fiscal Year Spending Authority</b>	<b>3,310.6</b>	<b>3,616.4</b>	<b>3,968.8</b>	<b>3,985.5</b>	<b>4,100.2</b>	<b>4,073.5</b>	<b>4,152.8</b>						<b>4,324.3</b>
<b>LESS:</b>													
Reversions to the General Fund	49.3	42.1	75.3	50.5	111.3	39.6	57.5						
Encumbered to next fiscal year	37.7	35.2	39.3	35.6	40.2	39.5	40.8						
Continuing to next fiscal year													
Operating Budget													
Bond Bill													
Total Continuing	147.2	268.4	261.8	240.9	154.6	161.8	140.7						
Subtotal	234.1	345.7	376.4	327.0	306.1	240.9	239.0						
<b>Fiscal Year Budgetary Expenditures</b>	<b>3,076.5</b>	<b>3,270.7</b>	<b>3,592.4</b>	<b>3,658.5</b>	<b>3,794.1</b>	<b>3,832.6</b>	<b>3,913.7</b>						<b>4,094.6</b>
<b>% increase/(decrease)</b>		<b>6.31%</b>	<b>9.84%</b>	<b>1.84%</b>	<b>3.71%</b>	<b>1.01%</b>	<b>2.12%</b>						<b>4.6%</b>
<b>Comments:</b>													
Expenditures / Spending Authority	FY2010 92.9%	FY2011 90.4%	FY2012 90.5%	FY2013 91.8%	FY2014 92.5%	FY2015 94.1%	FY2016 94.2%						FY 2017 94.7%
Reversions / Spending Authority	1.5%	1.2%	1.9%	1.3%	2.7%	1.0%	1.4%						0.9%
Encumbered / Spending Authority	1.1%	1.0%	1.0%	0.9%	1.0%	1.0%	1.0%						1.0%
Total Continuing / Spending Authority	4.4%	7.4%	6.6%	6.0%	3.8%	4.0%	3.4%						3.5%

Recommended by Expenditures Subcommittee;  
May 15, 2017

Table 1b.

DEFAC Expenditures Forecast for General Fund Disbursements FY2017 (\$ in millions)																
May 2017 (as of 04/30/17) DRAFT																
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017	FY2017 YTD	% spent	% of forecast	% of FY2015 total
	Actual	Actual	Actual	Actual	Actual	Sep.	Dec	Mar	Apr	May	May	Actual 04/30/17	FY2017 YTD	FY2017 YTD	FY2015 total	FY2014 total
<b>Salaries</b>	1,277.4	1,285.6	1,306.8	1,338.5	1,361.8	1,394.3	1,394.3	1,394.3	1,394.3	1,394.3	1,394.3	1,206.3	1,206.3	34.1%	34.8%	34.9%
<b>Fringe Benefits</b>	379.5	379.0	396.0	403.0	453.7	478.3	478.3	478.3	478.3	480.0	480.0	404.0	404.0	11.4%	11.6%	10.5%
<b>Health Care</b>	260.6	261.7	279.1	283.1	334.1	356.9	356.9	356.9	356.9	358.1	358.1	299.6	299.6	8.6%	8.5%	7.4%
<b>Other</b>	118.9	117.3	116.9	119.9	119.6	121.4	121.4	121.4	121.4	121.9	121.9	104.4	104.4	3.0%	3.0%	3.1%
<b>Pension</b>	252.9	271.9	285.8	287.0	297.3	320.4	320.4	320.4	320.4	319.3	319.3	275.3	275.3	7.8%	7.8%	7.5%
<b>Contribution</b>	124.9	141.0	143.0	147.7	150.6	153.7	153.7	153.7	153.7	153.7	153.7	132.5	132.5	3.7%	3.8%	3.8%
<b>Health Care</b>	109.1	108.5	110.0	103.8	105.0	131.3	131.3	131.3	131.3	131.3	131.3	113.2	113.2	3.2%	3.2%	3.2%
<b>Other</b>	18.9	22.4	32.8	35.5	41.7	35.4	35.4	35.4	35.4	34.3	34.3	29.6	29.6	0.8%	0.9%	1.1%
<b>Debt Service</b>	144.4	144.8	156.0	163.9	169.4	179.3	179.3	179.0	179.0	179.0	179.0	179.2	179.2	5.1%	4.4%	4.3%
<b>Grants</b>	364.0	372.8	379.6	377.9	349.6	355.5	355.5	355.5	355.5	358.0	358.0	313.1	313.1	8.9%	8.7%	8.9%
<b>Medicaid</b>	637.3	637.0	661.8	668.0	669.1	744.6	744.6	744.6	744.6	744.6	744.6	645.5	645.5	18.3%	18.2%	17.4%
<b>Contractual Services</b>	455.1	484.0	517.3	511.9	513.6	535.8	535.8	535.8	533.9	533.9	533.9	442.8	442.8	12.5%	13.1%	13.4%
<b>Supplies &amp; Materials</b>	65.5	63.7	69.9	69.0	66.9	67.4	67.4	67.4	67.4	69.4	69.4	58.7	58.7	1.7%	1.6%	1.8%
<b>Capital Outlay</b>	18.3	19.6	18.8	14.4	12.3	14.1	14.1	14.1	14.1	14.1	14.1	11.5	11.5	0.3%	0.3%	0.4%
<b>FY Budgetary Expenditures</b>	3,592.5	3,658.5	3,794.0	3,832.6	3,913.7	4,089.7	4,089.7	4,089.4	4,087.5	4,094.6	4,094.6	3,538.4	3,538.4	100.0%	100.0%	100.0%
<b>Comments:</b>																

Table 1c.

DEFAC Expenditures Forecast for General Fund Disbursements FY2017-2021 (\$ in millions)												
May 2017 (as of 04/30/17) DRAFT												
	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 May	FY2018 May	FY2019 May	FY2020 May	FY2021 May		
Salaries	1,277.4	1,285.6	1,306.8	1,338.5	1,361.8	1,396.3	1,421.4	1,446.9	1,472.9	1,499.3		
Fringe Benefits	379.5	379.0	396.0	403.0	453.7	480.0	504.1	529.8	557.1	586.1		
Health Care	260.6	261.7	279.1	283.1	334.1	358.1	381.6	406.6	433.3	461.8		
Other	118.9	117.3	116.9	119.9	119.6	121.9	122.5	123.1	123.7	124.4		
Pension	252.9	271.9	285.8	287.0	297.3	319.3	335.1	351.9	369.9	389.0		
Contribution	124.9	141.0	143.0	147.7	150.6	153.7	160.2	167.0	174.1	181.5		
Health Care	109.1	108.5	110.0	103.8	105.0	131.3	136.3	141.4	146.7	152.3		
Other	18.9	22.4	32.8	35.5	41.7	34.3	38.6	43.5	49.0	55.3		
Debt Service	144.4	144.8	158.0	163.9	169.4	179.0	186.9	195.1	203.6	212.6		
Grants	364.0	372.8	379.6	377.9	349.6	358.0	356.8	355.6	354.4	353.3		
Medicaid	637.3	637.0	661.8	668.0	689.1	744.6	768.1	792.4	817.5	843.3		
Contractual Services	455.1	484.0	517.3	511.9	513.6	533.9	551.2	569.1	587.6	606.7		
Supplies & Materials	65.5	63.7	69.9	68.0	66.9	69.4	70.2	71.0	71.9	72.7		
Capital Outlay	16.3	19.6	18.8	14.4	12.3	14.1	13.7	13.3	12.9	12.6		
FY Budgetary Expenditures	3,592.5	3,658.5	3,794.0	3,832.6	3,913.7	4,094.6	4,207.5	4,325.2	4,447.7	4,575.5		
Comments:												
Forecast is based on the annual average growth rate for each category FY2012-FY2017(May Estimate).												



Table 2. DEFAC General Fund Revenue Worksheet

May-17 DEFAC Meeting		FY 2016		FY 2017						FY 2018			
Revenue Category	A Actual Collections	B DEFAC Apr-17	C % B over A	D DEFAC May-17	E % D over A	F \$ Increase D over B	G DEFAC Apr-17	H % G over B	I DEFAC May-17	J % I over D	K \$ Increase I over G		
Personal Income Tax	1,496.9	1,543.5	3.1%	1,538.4	2.8%	(5.1)	1,611.0	4.4%	1,599.8	4.0%	(11.2)		
Less: Refunds	(210.3)	(204.0)	-3.0%	(208.0)	-1.1%	(4.0)	(213.8)	4.8%	(218.0)	4.8%	(4.2)		
PIT Less Refunds	1,286.6	1,339.5	4.1%	1,330.4	3.4%	(9.1)	1,397.2	4.3%	1,381.8	3.9%	(15.4)		
Franchise Tax	707.7	707.1	-0.1%	712.6	0.7%	5.5	707.7	0.1%	716.2	0.5%	8.5		
Limited Partnerships & LLC's	268.8	282.7	5.2%	277.2	3.1%	(5.5)	294.9	4.3%	291.9	5.3%	(3.0)		
Subtotal Franchise + LP/LLC	976.5	989.8	1.4%	989.8	1.4%	0.0	1,002.6	1.3%	1,008.1	1.8%	5.5		
Less: Refunds	(13.5)	(10.0)	-25.9%	(10.0)	-25.9%	0.0	(10.0)	0.0%	(10.0)	0.0%	0.0		
Net Franchise + LP/LLC	963.0	979.8	1.7%	979.8	1.7%	0.0	992.6	1.3%	998.1	1.9%	5.5		
Business Entity Fees	104.8	106.9	2.0%	106.9	2.0%	0.0	109.1	2.1%	109.1	2.1%	0.0		
Uniform Commercial Code	19.3	19.3	0.1%	19.3	0.1%	0.0	19.3	0.0%	19.3	0.0%	0.0		
Corporation Income Tax	224.6	152.0	-32.3%	152.0	-32.3%	0.0	142.2	-6.4%	142.2	-6.4%	0.0		
Less: Refunds	(81.4)	(55.0)	-32.4%	(55.0)	-32.4%	0.0	(43.5)	-20.9%	(43.5)	-20.9%	0.0		
CIT Less Refunds	143.3	97.0	-32.3%	97.0	-32.3%	0.0	98.7	1.8%	98.7	1.8%	0.0		
Bank Franchise Tax	92.5	85.0	-8.1%	85.0	-8.1%	0.0	87.8	3.3%	87.8	3.3%	0.0		
Gross Receipts Tax	234.1	239.0	2.1%	241.0	3.0%	2.0	244.9	2.5%	247.0	2.5%	2.1		
Lottery	211.0	206.0	-2.4%	203.0	-3.8%	(3.0)	204.2	-0.9%	203.2	0.1%	(1.0)		
Abandoned Property	528.3	554.0	4.9%	554.0	4.9%	0.0	535.0	-3.4%	554.0	0.0%	19.0		
Less: Refunds	(78.0)	(115.0)	47.5%	(115.0)	47.5%	0.0	(135.0)	17.4%	(135.0)	17.4%	0.0		
Abandoned Prop Less Refunds	450.3	439.0	-2.5%	439.0	-2.5%	0.0	400.0	-8.9%	419.0	-4.6%	19.0		
Hospital Board and Treatment	48.4	43.0	-11.1%	43.0	-11.1%	0.0	43.9	2.1%	43.9	2.1%	0.0		
Dividends and Interest	3.1	4.9	57.2%	3.5	12.3%	(1.4)	9.4	91.8%	5.0	42.9%	(4.4)		
Realty Transfer Tax	89.5	92.0	2.8%	92.0	2.8%	0.0	81.1	-11.8%	81.1	-11.8%	0.0		
Insurance Taxes	53.7	49.9	-7.1%	51.4	-4.3%	1.5	52.0	4.2%	52.0	1.2%	0.0		
Public Utility Tax	45.0	44.0	-2.1%	44.0	-2.1%	0.0	39.6	-10.0%	39.6	-10.0%	0.0		
Cigarette Taxes	111.8	108.4	-3.0%	108.4	-3.0%	0.0	106.8	-1.5%	106.8	-1.5%	0.0		
Other Revenues	93.2	115.1	23.4%	123.4	32.4%	8.3	109.3	-5.0%	109.3	-11.4%	0.0		
Less: Other Refunds	(14.0)	(24.7)	76.3%	(20.9)	49.2%	3.8	(17.8)	-27.9%	(17.8)	-14.8%	0.0		
Net Receipts	3,935.4	3,944.1	0.2%	3,946.2	0.3%	2.1	3,978.1	0.9%	3,983.9	1.0%	5.8		

Table 2. DEFAC General Fund Revenue Worksheet

May-17 DEFAC Meeting		FY 2019				
Revenue Category	L DEFAC Apr-17	M % L over G	N DEFAC May-17	O % N over I	P \$ Increase N over L	
Personal Income Tax	1,691.7	5.0%	1,679.9	5.0%	(11.8)	
Less: Refunds	(224.5)	5.0%	(228.9)	5.0%	(4.4)	
PIT Less Refunds	1,467.2	5.0%	1,451.0	5.0%	(16.2)	
Franchise Tax	711.2	0.5%	719.7	0.5%	8.5	
Limited Partnerships & LLC's	309.7	5.0%	302.7	3.7%	(7.0)	
Subtotal Franchise + LP/LLC	1,020.9	1.8%	1,022.4	1.4%	1.5	
Less: Refunds	(10.0)	0.0%	(10.0)	0.0%	0.0	
Net Franchise + LP/LLC	1,010.9	1.8%	1,012.4	1.4%	1.5	
Business Entity Fees	111.4	2.1%	111.4	2.1%	0.0	
Uniform Commercial Code	19.3	0.0%	19.3	0.0%	0.0	
Corporation Income Tax	140.0	-1.5%	140.0	-1.5%	0.0	
Less: Refunds	(45.7)	5.1%	(45.7)	5.1%	0.0	
CIT Less Refunds	94.3	-4.5%	94.3	-4.5%	0.0	
Bank Franchise Tax	89.5	1.9%	89.5	1.9%	0.0	
Gross Receipts Tax	257.2	5.0%	259.3	5.0%	2.1	
Lottery	204.3	0.0%	204.5	0.6%	0.2	
Abandoned Property	460.0	-14.0%	460.0	-17.0%	0.0	
Less: Refunds	(135.0)	0.0%	(135.0)	0.0%	0.0	
Abandoned Prop Less Refunds	325.0	-18.8%	325.0	-22.4%	0.0	
Hospital Board and Treatment	44.2	0.7%	44.2	0.7%	0.0	
Dividends and Interest	12.1	28.7%	12.1	142.0%	0.0	
Realty Transfer Tax	85.1	4.9%	85.1	4.9%	0.0	
Insurance Taxes	53.3	2.5%	53.3	2.5%	0.0	
Public Utility Tax	40.1	1.3%	40.1	1.3%	0.0	
Cigarette Taxes	105.2	-1.5%	105.2	-1.5%	0.0	
Other Revenues	117.1	7.1%	117.1	7.1%	0.0	
Less: Other Refunds	(17.8)	0.0%	(17.8)	0.0%	0.0	
Net Receipts	4,018.4	1.0%	4,006.0	0.6%	(12.4)	

Table 3. Balance and Appropriations Worksheet

FY 2017 EXPENDITURES		FY 2017 BALANCES		FY 2018 APPROPRIATION LIMITS	
Total Spending Authority	\$4,324.3	Total Expenditures	\$4,094.6	FY 2018 Revenue Estimate	\$3,983.9
Less: Continuing Appropriations & Encumbrances from FY 2017	(\$192.7)	vs. FY 2017 Revenues	3,946.2	Unencumbered Cash Balance from FY 17	\$5.8
Less: Reversions	(\$37.0)	Operating Balance	(148.4)	100% Appropriation Limit	\$3,989.7
Total Expenditures	\$4,094.6	Prior Year Cash Balance	\$568.0	98% Appropriation Limit	\$3,909.9
		Cumulative Cash Balance	419.6	Prior 98% Appropriation Limit	\$3,897.0
		Less: Continuing Appropriations & Encumbrances from FY 2017	(192.7)	Increase (Decrease) from Prior Meeting	\$12.9
		Less: Budgetary Reserve Account	(\$221.1)	Sept. 2016 98% Appropriation Limit	\$3,975.4
		Unencumbered Cash Balance 6/30	\$5.8	Increase (Decrease) from September 2016	(\$65.5)

Table 4.

Delaware Department of Transportation FY 2017 Expenditures, Through April 30, 2017												83%
	FY2015 Actual	FY2016 Actual	FY2017 Appropriation	SEPTEMBER FY2017 Forecast	DECEMBER FY2017 Forecast	MARCH FY2017 Forecast	APRIL FY2017 Forecast	MAY FY2017 Forecast	\$ difference	\$ difference Forecast V. FY2016 Actual	FY2017 YTD Spend	% spent YTD
<u>Operations</u>												
Debt Service	107.5	101.4	95.9	95.9	95.9	95.9	95.9	94.0	(1.9)	(7.4)	94.0	100%
Personnel Costs	85.2	87.7	89.1	89.1	89.1	89.1	89.1	90.1	1.0	2.4	77.1	86%
Operations/Capital Outlay	72.0	60.5	64.6	64.6	64.6	64.6	64.6	64.6	0.0	4.1	44.7	69%
Transit Operations (DTC)	85.6	85.4	87.8	87.8	87.8	87.8	87.8	87.8	0.0	2.4	73.2	83%
Total Expenditures - Operations	350.3	335.0	337.4	337.4	337.4	337.4	337.4	336.5	(0.9)	1.5	289.0	86%
<u>State Capital</u>												
Road System	80.3	114.8	137.6	137.6	137.6	145.0	145.0	145.0	0.0	30.2	113.1	78%
Grants & Allocations	19.3	20.0	22.7	22.7	22.7	22.7	22.7	22.7	0.0	2.7	19.6	86%
Support Systems	28.3	48.4	41.4	41.4	41.4	41.4	41.4	41.4	0.0	(7.0)	30.2	73%
Transit	7.8	13.6	25.2	25.2	25.2	25.2	25.2	25.2	0.0	11.6	16.7	66%
Total Expenditures- State Capital	135.7	196.8	226.9	226.9	226.9	234.3	234.3	234.3	0.0	37.5	179.6	77%
<u>Federal Capital</u>												
Federal Capital	236.9	217.7	309.8	309.8	309.8	259.8	259.8	254.8	(5.0)	37.1	166.7	65%
<u>US301 Capital</u>												
GARVEE Bonds	10.1	14.3	16.9	16.9	16.9	16.9	16.9	16.9	0.0	2.6	16.1	95%
Toll Revenue Bonds	0.0	21.4	117.2	117.2	117.2	117.2	117.2	117.2	0.0	95.8	90.3	77%
TIFIA Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total US301	10.1	35.7	134.1	134.1	134.1	134.1	134.1	134.1	0.0	98.4	106.4	79%
Total Expenditures - Capital	382.7	450.2	670.8	670.8	670.8	628.2	628.2	623.2	(5.0)	173.0	452.7	73%
TOTAL EXPENDITURES	733.0	785.2	1,008.2	1,008.2	1,008.2	965.6	965.6	959.7	(5.9)	174.5	741.7	77%

Table 5.

DELAWARE DEPARTMENT OF TRANSPORTATION Transportation Trust Fund Revenues									
	FY15	FY16	% Chg.	Fiscal 2017			Fiscal 2018		
				4/17/2017 Approved	5/15/2017 Recomm	% Chg. FY 16	4/17/2017 Approved	5/15/2017 Recomm	% Chg. FY 17
<b><u>TOLL ROAD REVENUES:</u></b>									
I95 Newark Plaza	\$117.8	\$129.9	10.3%	\$130.8	\$130.8	0.7%	\$132.9	\$132.9	1.6%
Route 1 Toll Road	55.8	59.8	2.9%	\$61.3	\$61.3	2.5%	\$62.8	\$62.8	2.4%
Concessions	<u>2.6</u>	<u>2.6</u>	<u>4.5%</u>	<u>\$2.8</u>	<u>\$2.8</u>	<u>0.0%</u>	<u>\$2.9</u>	<u>\$2.9</u>	<u>0.0%</u>
<b>Total Toll Road Revenues</b>	176.2	192.3	9.1%	\$194.9	\$194.9	1.4%	\$198.6	\$198.6	1.9%
<b><u>MOTOR FUEL TAX ADMIN.</u></b>									
	119.7	126.5	5.7%	\$126.5	\$126.5	(0.0%)	\$125.5	\$125.5	(0.8%)
<b><u>DIVISION OF MOTOR VEHICLES</u></b>									
Motor Vehicle Document Fees	94.0	107.7	14.6%	\$115.8	\$115.8	7.5%	\$117.5	\$117.5	1.5%
Motor Vehicle Registration Fees	51.2	52.4	3.0%	\$55.2	\$55.2	5.3%	\$56.9	\$56.9	3.1%
Other DMV Revenues	<u>25.8</u>	<u>38.0</u>	<u>6.6%</u>	<u>\$41.0</u>	<u>\$41.0</u>	<u>7.8%</u>	<u>\$42.2</u>	<u>\$42.2</u>	<u>2.9%</u>
<b>Total DMV Revenues</b>	171.0	198.1	15.8%	\$212.0	\$212.0	7.0%	\$216.6	\$216.6	2.2%
<b><u>OTHER TRANSPORTATION REV.</u></b>									
Other Transportation Rev	10.1	11.5	-1.6%	\$11.2	\$11.2	-2.3%	\$11.3	\$11.3	0.9%
Investment Income(Net)	<u>1.9</u>	<u>5.0</u>	<u>16.4%</u>	<u>\$3.0</u>	<u>\$3.0</u>	<u>-40.4%</u>	<u>\$3.0</u>	<u>\$3.0</u>	<u>0.0%</u>
<b>Total Other Transp. Revenue</b>	12.0	16.5	37.5%	\$14.2	\$14.2	-13.9%	\$14.3	\$14.3	0.7%
<b>GRAND TOTAL</b>	\$478.9	\$533.4	11.4%	\$547.6	\$547.6	2.7%	\$555.0	\$555.0	1.4%
						\$0.0			\$0.0